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on Friday, 14 June 1991 at 6.15 p.m.

President: Mr. PIRIZ-BALLON (Uruguay)

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Preparations for the fifth programming cycle, including funding strategy (continued)

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The meeting was called to order at 6.15 p.m.

PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE, INCLUDING THE FUNDING STRATEGY (continued) (DP/1991/24, DP/1991/59, DP/1991/64 and Add.1)

1. Mr. MAYCOCK (Observer for Barbados) said that the issue of net contributor countries and the allocation principles used in the calculation of indicative planning figures (IPFs) were of special interest to his delegation. The relevance of the per capita gross national product (GNP) criterion as the basis for determining graduation or net contributor status must be gauged. Barbados had repeatedly drawn the Council's attention to the deficiencies of that criterion, whose application was denying Barbados access to UNDP resources on concessional terms at a time when it needed them most.

2. The economy of Barbados had been severely affected by the international economic situation. In 1990, that had been reflected in a decline in real economic growth and foreign-exchange earnings, and an increase in the earnings from exports and services which had to be used to service the external debt. Under those conditions, Barbados believed that the proposal to change its relationship with UNDP was detrimental to its development prospects.

3. The achievements of Barbados, reflected in the 1990 and 1991 Human Development Reports, were the product of years of devotion to people-centred development, a well-established tradition of parliamentary government and respect for human rights, all of which were possible largely because of substantial support from UNDP. On the one hand, his country was honoured to qualify as a net contributor country; on the other hand, however, a pragmatic analysis would show that Barbados was in no position to maintain that status for very long.

4. In document DP/1991/24, the UNDP Administration explicitly acknowledged, for the first time, that the graduation of countries from recipient to donor status solely on the basis of per capita GNP could result in anomalies. Barbados fully supported the recommendation to undertake a review of the objectives and principles underlying the allocation of UNDP resources, and requested that the review should, if feasible, be completed before the end of the fifth programming cycle.

5. While the principle of universality did not prescribe equal participation for all countries, exclusive application of the per capita GNP criterion did not adequately reflect the real economic differences between countries. Factors such as the economic vulnerability of States must be taken into account. Barbados found itself in a situation of double jeopardy. For some purposes, such as access to UNDP resources on concessional terms and the obligation to contribute to the programme, it was virtually considered a developed country. On the other hand, when it came to considering UNDP activities as the source of material and advisory inputs, the participation of Barbados was more limited. His delegation was heartened by the desire of UNDP

(Mr. Maycock, Observer, Barbados)

to examine its role in promoting technical cooperation among developing countries with higher-income countries and would welcome, in particular, an indication by UNDP of its willingness to enter into dialogue on ways of enhancing procurement from countries in that category. Barbados was well placed in that regard thanks to the experience of the Caribbean subregion in the area of technical cooperation under the aegis of the Caribbean Community (CARICOM) and to the instalment of a UNDP office in Barbados. Increased participation by higher-income countries in UNDP-supported technical cooperation activities in the Caribbean region should be a priority of the Programme.

6. Mr. KING (Observer for Trinidad and Tobago) said that his country was confronted with development problems peculiar to island developing countries and referred to General Assembly resolution 45/202, which called for specific measures in favour of that group of countries.

7. Effective implementation of development programmes was dependent on an assured and predictable resource base. Although the indicative planning figure for Trinidad and Tobago was relatively low, it was considered important as a system of multilateral aid because of its catalytic role and its neutral character. The UNDP country programme was an integral part of the planning process and the process of economic diversification and development of Trindad and Tobago and it should continue to fulfil that role. In addition to financial resources, technical assistance figured as a basic element at various stages of the development process in the form of advice from short-term or resident experts. Access to such technical cooperation through UNDP should not be denied. At the same time, the voluntary and universal character of UNDP should be fully restored in the fifth programming cycle within the context of contemporary realities. His delegation encouraged members to show their full support through voluntary contributions.

8. The observations made by the Administrator in document DP/1991/24 further illustrated the need for a careful review of the graduation of countries, because the current system of allocating resources already included an element of restricted access to UNDP resources based on a scale of per capita GNP. The GNP per capita criterion was incomplete for measuring development, because it did not reflect the distribution of economic costs and benefits, did not take into consideration the particular situation of small developing countries and, in estimating, included external income which was never repatriated except in the case of fiscal transfers. Accordingly, the per capita GNP criterion must be reinforced by other factors which provided a true picture of a country's stage of development. His delegation supported the conclusion of the Administrator in paragraph 27 of document DP/1991/24.

9. Ms. HELLSTRÖM (Sweden), speaking on behalf of the four Nordic countries, stressed that resources, which were scarce, should be allocated primarily to the poorest developing countries. The activities of UNDP must be more specifically focused in order to achieve better results. For those two reasons, the Nordic countries welcomed decision 90/34.

10. With regard to the question of special drawing rights, which the Administrator analysed in his report (DP/1991/24), she noted that the United Nations system did not appear inclined to change the unit of account. That suggested that the system's propensity to change was not very great and that the difficulties encountered by UNDP and the agencies as a result of exchange-rate fluctuations must have been less serious than they had been given to understand.

11. Referring to the issue of net contributor countries, she recalled that the principle of universality - so important for the United Nations, and for UNDP too - meant participation in the Programme, not entitlement to an indicative planning figure (IPF). Although donors did not receive UNDP assistance, they considered themselves full-fledged members of the Programme. The medium-income developing countries in need of technical assistance should pay for it, because resources, being scarce, should be used primarily for the poorest countries. That and graduation were very important principles for the Nordic countries. It was reasonable to expect recipient countries to contribute to the Programme. It must be recognized, however, that there were net contributor countries and other medium-income countries which contributed generously to UNDP. In the view of the Nordic countries, the provisions pertaining to net contributor countries for the fifth programming cycle should be as firm as, or firmer than, those for the fourth cycle, and also less complicated.

12. The options put forward by the Administrator in that regard took into account the need for a simple and generally acceptable system. While the method suggested by the Administrator was sound, his proposal would lead to a distortion in the allocation of resources agreed upon in decision 90/34, which would be unacceptable to the Nordic countries. In the discussions on fifth-cycle programming, the Nordic countries had advocated abolition of the floor principle. Consequently, they believed that a 60-per-cent floor was too generous.

13. The Nordic countries also recalled that it was normal practice not to mention countries explicitly by name in UNDP decisions on the net contributor issue for good reasons. The Council should lay down general principles, where applicable, without mentioning names.

14. The Nordic countries also proposed unlinking the net contributor issue as much as possible from local-cost obligations. Those obligations should continue to be guided by the Standard Basic Agreement which applied to all UNDP recipients.

(Ms. Hellström, Sweden)

15. Another question which arose in the matter of contributors was the role of UNDP with respect to countries whose IPF was relatively low. Whether a country IPF should be the only channel of UNDP assistance of any interest to recipient countries was a question worth asking. The Nordic countries believed that other possibilities must be explored, such as special drawing rights and the global and regional programmes, inter alia. Moreover, in cases where the IPF was low, the need for an IPF for planning purposes was limited. The Nordic countries strongly supported the Administrator's suggestion that he should "prepare a comprehensive conceptual paper on sixth programming-cycle resource utilization, to be submitted at the thirty-ninth session" (DP/1991/24, para. 33).

16. Decision 90/14 and document DP/1991/59 contained many relevant observations on funding strategy, but funding was not their main theme. In that regard, she drew attention to the Nordic countries' project for the United Nations, a joint study conducted by the Nordic countries on economic and social reform issues which had been presented on Wednesday in another meeting. The essence of the proposal was that, in order to achieve a stronger and more predictable financing system for the United Nations development organizations, a combination of funding mechanisms should be explored. That combination would derive from three sources: assessed contributions, negotiated pledges and voluntary contributions. The reasoning underlying the proposal was, first, the character of partnership which distinguished the United Nations from many other organizations, i.e., a partnership between Member States for the benefit of all parties concerned. The operational activities of the United Nations could thus be viewed as a joint enterprise where the administrative costs were shared by everyone participating, in the form of a membership fee determined on the basis of each participating Member State's ability to pay. Second, the system of annually pledged voluntary contributions in national currencies was a weak source of support for long-term development projects, or for responding to emergencies. Therefore, the possibility of establishing a new system of negotiated pledges, similar to the replenishment process of the international financial institutions, should be explored. In that way, the operational activities of the United Nations would have a broader and more predictable financial base; planning and budgeting would be more efficient, and burden-sharing more equitable. The third source would be voluntary contributions from Member States, in particular, from Member States on the Development Assistance Committee (DAC).

17. Mr. INSULZA (Observer for Chile) endorsed the Administrator's view that it was difficult to distribute indicative planning figures under the existing methodology. Therefore, a methodological discussion on the most suitable mechanisms for establishing IPFs in future programming cycles must be initiated without delay. That, however, must be done by consensus, so that the interests of all member States and regions and their technical assistance needs would be respected. The topics and questions raised by the Administrator in paragraph 32 of his report (DP/1991/24) would be relevant in

(Mr. Insulza, Observer, Chile)

that dialogue and should be studied at future Council sessions. His delegation was concerned that paragraph 32 (d) could be construed as meaning that, among countries whose resource allocations were similar, those which used their resources more effectively in order to upgrade the standard of living of their population might be at a disadvantage when their indicative planning figures were established. In that connection, Chile attached particular importance to the statement made by the Administrator on 12 June in response to the general debate: he had dispelled a number of apprehensions expressed by Council members concerning the human development index and its potential uses. Of special importance for his delegation was the following paragraph in that statement: "Some delegations also expressed the fear that a high ranking on the human development index may go against them in aid allocations. This is a gross misunderstanding. What matters for policy dialogue is the rate of change in human development, the rate of human progress, not just the level of human development at a particular point in time."

18. Referring to another aspect of the fifth programming cycle, he said that, in reporting on the complexities and limitations of the current system of establishing IPFs, the Administrator had indicated that, in order to accomplish the objective of allocating 55 per cent of IPFs to the least developed countries, it was necessary to supplement them by $138 million from regional programmes. That had resulted in a 26-per-cent reduction in IPFs for those regional programmes (DP/1991/24, para. 21). The cuts, however, had not been uniform, because the IPF of the regional programme for Latin America and the Caribbean had been reduced from $58 to $30 million, i.e., virtually by 50 per cent. A reduction of that order was unprecedented in the history of UNDP, was detrimental to UNDP's first regional programme, and was occurring at a time when the region was confronted with a series of urgent problems to which UNDP had accorded priority - issues relating to the environment, overcoming dire poverty, and regional and subregional integration. Moreover, the reduction coincided with the establishment of new IPFs for each of the Latin American and Caribbean countries; in the majority of cases (17 countries), they were lower than the fourth cycle IPFs. For those reasons, his delegation formally requested a revision in the fifth cycle IPF for the Latin American and Caribbean regional programme. At the very least, it should be restored to a figure which reflected a reduction comparable with but not twice as much as in other regional programmes.

19. Mr. SAHA (India) recalled that at its thirty-seventh session the Governing Council had invited the Administrator to present proposals for revising the weight coefficients for per capita gross national product (GNP) and population, in order to assign increased weight for least developed countries and lower-income countries in the per capita GNP weighting, and reduced weight for larger populations. In the first case, a decision to change the weight coefficient was at the political discretion of the Council. However, with respect to weighting on the basis of population, he wondered whether it was fair to alter a criterion solely in order to reduce selectively the weight coefficients for two countries. In the case of India, any attempt

(Mr. Saha, India)

to alter the population criteria would have the effect of excluding a proportion of its disadvantaged population from the benefits of assistance from the United Nations system.

20. The initiative under discussion was based largely on ignorance of the current weighting system. There was a prevalent impression that a country with twice the population of another country received roughly twice the amount of IPF resources. The truth was that a country with a population of 1 billion received only 37 per cent more than a country with half that population, and only 95 per cent more than a country with one tenth of that population. Few delegations were aware that the weighting system which had been accepted 15 years earlier was based on a graph which did not compare the population to the weight assigned, but rather the logarithm of the population to that weight. The logical basis for that system had never been explained. In general, a country needed technical services in proportion to its absolute population, not to its logarithm. The weight coefficient for population, in its current form, was already unfair and irrational for countries with large populations, and the absurdity of the situation should not be compounded. Therefore, considering the background against which the Administrator had been asked to present proposals for revising the weight coefficients, his delegation was sceptical about the direction in which the conceptual paper, referred to in the conclusion of part III of document DP/1991/24, could lead the debate. Such a paper would be meaningful only if the Council could agree on its outline and on the broad direction in which it should be developed. Otherwise, it could easily arouse controversy, and his delegation therefore could not support providing UNDP with such an unclear mandate.

21. Mr. SIEBER (Switzerland) said that the issue of the status of net contributor countries had been the subject of various reports and lengthy discussions by the Council and that the subject should be brought to a conclusion at the current session. His delegation welcomed the proposals submitted by the Administrator, such as those on the gradual approach to net contributor status and on the continuation of a clearly defined net contributor obligation to be taken into consideration when calculating IPFs for the next programming period. However, he could not support the proposal to add another threshold of 40-per-cent floor protection for the remaining countries.

22. With regard to field offices in net contributor countries, he supported the Administrator's proposals, except the proposal to finance two General Service posts in addition to the resident representative and the deputy resident representative. The negotiations on the host Government's contribution to local office costs and on establishing $10 million as the amount for a given country programme should be finalized by the beginning of the fifth programming cycle. If it became clear at that stage that no conclusions could be reached, UNDP should close those offices and revert to rendering reimbursable services. In his view, further transitory arrangements would not be justified.

(Mr. Sieber, Switzerland)

23. With respect to the UNDP funding strategy, his delegation awaited with keen interest the outcome of the global resident representatives' meeting, particularly the UNDP statement on its purpose and organizational strategy for the future, which would serve as a basis for the new public information strategy. One of the most important topics to be addressed at that meeting was the building and enhancement of the comparative advantages of UNDP. The Administrator had noted the technical impartiality, respect for national sovereignty and universality of UNDP as its main comparative advantages, and his delegation would add to that list the technical know-how and experience available within the United Nations system. The study prepared by Denmark contained other interesting proposals on the subject. Finally, he felt that although the Administrator's proposals were interesting, it was premature to consider them at a time when a final decision on the fifth programming cycle had not yet been taken. He therefore proposed that the issue should be brought once again to the Council's attention at its fortieth regular session.

24. Mr. TWITE (United Kingdom) said that his delegation accepted the Administrator's recommendation that the question of adopting special drawing rights as a unit of account should not be pursued for the moment (DP/1991/24, para. 2). However, he hoped that the Administrator would take all possible steps to counter the damaging effects of currency fluctuation within the current financial framework.

25. On the subject of net contributor status, UNDP should try to maximize aid flows to the poorest countries, while at the same time maintaining the principle of universality of availability of technical cooperation resources. It was essential that, as countries achieved the development for which they and their partners were striving, they should recognize that there must be a point at which they ceased to be recipients. It was also important that an acceptable and equitable system of graduation should be established for the fifth cycle to enable UNDP to finalize the allocation of IPFs.

26. His delegation accepted the Administrator's judgement that the new proposals on net contributor status would be simple to administer, and supported their adoption, with the understanding that the proposals would meet the need for a gradual but definite process of graduation. However, he did not think that the option of according 40 per cent of the IPF for a period of two years, as provided in paragraph 7 (c) of the report (DP/1991/24), was necessary.

27. With regard to field office costs, his delegation saw no reason to change the current arrangements and felt that the changes proposed by the Administrator were unnecessary. With respect to the criteria of GNP and population used in calculating the fifth cycle IPFs, it was too late to replace them with other criteria.

28. With regard to the suggested principles for the allocation of resources for the sixth programming cycle, the report indicated the problems in the current IPF allocation system, but did not present specific proposals on the

(Mr. Twite, United Kingdom)

weight coefficients for GNP and population, as requested in paragraph 35 of decision 90/34; rather it suggested that a thorough review of the whole IPF system should be presented to the Governing Council in 1992. Instead of tinkering further with a defective system, it would be better to make a fresh start, since there was ample time to work out a new system for the sixth cycle. However, the Administrator's proposals must be issued well in advance (at least three months beforehand) so that the members could give them proper and full consideration.

29. With respect to document DP/1991/59 on the funding strategy, his delegation felt that that agenda item had become a mixed bag of issues which had developed out of the original funding strategy debate and was no longer appropriate to that heading. Although the issues it involved were important, the agenda item was redundant. He therefore hoped that any decision reached by the Council would not require further reporting by the Administrator, so that the item might lapse after the current session.

30. Mr. BORJA de MOZOTA (France) said that his delegation supported the statement made by the group of Nordic countries, mainly because it took the view that no provision allowing exceptions to the net contributor status, however understanding it might be about the countries concerned, should risk diverting resources from the developing countries.

31. Mr. WARD (Canada) said that the three elements discussed in document DP/1991/24 evoked the common theme of the need for increased transparency, simplicity and fairness in the allocation and accounting of resources. His delegation shared the view of the Administrator that the question of special drawing rights (DP/1991/24, para. 2) should not be further pursued for the time being. The proposals on net contributor status put forward by the Administrator tended to increase the complexity and decrease the transparency of the question and his delegation did not share the view that the criteria accepted in decision 90/34, without the "floor" principle, should no longer be used. Section III of document DP/1991/24 amply demonstrated the distorting impact of the "floor" principle. Retaining it for net contributor countries would thus not only unnecessarily distort allocations but would also take $5.26 million from programmes in poorer countries. According to figures provided in table 1, only one country, Suriname, was on the threshold of net contributor status. If that presented a problem, adjustments could perhaps be made for such a case. Otherwise, his delegation saw no reason to tamper with application of the net contributor criteria. Similarly, there was no rationale for diluting decisions on field offices. Adding costs of two General Service posts in net contributor countries or adding resident representatives or local staff in offices that would normally be closed was not consistent with the efforts of UNDP to reduce its administrative costs.

32. With regard to the larger question of the methodology for the allocation of resources, Canada fully supported the Administrator's proposal for a thorough review of the objectives and principles underlying the allocation of resources. The paper clearly demonstrated how the system had become complex

(Mr. Ward, Canada)

and distorted. The basic principles established in 1982 therefore needed to be brought into step with current development thinking. Note should also be taken of the increasing marginalization of some regions and its effect on administrative efficiency. There was perhaps need to find a way of addressing the problems of those regions in a more holistic and less country-oriented way. Canada would like to see a system of allocating technical assistance resources based on the need for that type of assistance. UNDP could perhaps examine options for achieving that goal while maintaining some regional balance. Such options could include the use of the human development index. The basic principles of a new allocation framework should be simplicity, transparency, the need for technical assistance, concentration on the poorest countries without marginalizing regions, and addressing the issues of human development. Canada commended UNDP for taking up the challenge and looked forward to the conceptual paper which UNDP would present at the thirty-ninth session.

33. On the subject of funding strategy, Canada was of the view that the best argument for mobilizing more resources was spending existing resources well. In that regard, his delegation shared many of the ideas expressed in document DP/1991/59, for example, that UNDP needed a more easily grasped profile (para. 4) or that UNDP resources should be used only for programmes of critical national importance (para. 14). While all of the above was true, on reviewing some of the programmes for the fifth programming cycle it appeared that they continued to be widely spread. Moreover, there were reports that some resident representatives continued to accept projects without trying to set priorities or develop very coherent programmes. Finally, there were a few representatives on the Governing Council who opposed even discussion of more appropriate criteria for country programming and evaluation. The current abyss between rhetoric and reality needed to be overcome. The funding strategy could not be separated from the programming strategy and, until UNDP came to grips with the latter, the impact of the former would be marginal.

34. Mr. JASINSKI (Poland) said that he wished to raise a specific question with the Administration concerning the calculations of IPF for Poland in the fifth programming cycle. The annex to document DP/1991/24 showed Poland as having the lowest per capita IPF of all countries, except one. In the view of his delegation, Poland was entitled to an IPF for the same amount as other countries with similar per capital GNP, population and previous IPF, and it believed that a technical error had been made in the calculations. That error should be corrected and his delegation wished to consult with the Administration thereon, starting with the figures first examined at the thirty-seventh session and their subsequent evolution. He was not calling into question the general issue of the criteria, but was presenting the specific case of Poland.

The meeting rose at 7.15 p.m.